

BUDGET LETTER

SUBJECT: 2012-13 BUDGET POLICY	NUMBER: 11-18
REFERENCES: BL 11-10	DATE ISSUED: July 27, 2011
	SUPERSEDES: BL 10-23

TO: Agency Secretaries
Department Directors
Department Chief Counsels
Department Budget Officers
Department Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter sets forth the Governor's policy direction for his proposed 2012-13 Budget. As a reminder, BL 11-10, issued July 5, 2011, outlines due dates, and the technical and procedural requirements for preparation of the 2012-13 Governor's Budget.

Priorities

The Administration's primary budget priority is to establish a structurally balanced budget that preserves critical state services and promotes the Governor's priorities. While the 2011 Budget Act makes substantial progress in closing the state's structural deficit, departments must continue to control costs, increase efficiency, and refrain from creating new—or expanding existing—programs.

Budget Change Proposals (BCPs) and Enrollment/Caseload/Population (ECP) policy

In furtherance of the Administration's goal to establish a structurally balanced budget, departments' ability to submit BCPs or ECP policy changes for the 2012-13 Budget will be limited. These limits will apply regardless of the BCP's funding source.

Accordingly, departments (including those not under the Governor's direct authority) should submit BCPs or ECP policy changes for the 2012-13 Budget, only in the following circumstances:

- **Workforce Cap Position True-Up**

The 2010-11 Budget contained a "workforce cap," which reduced many departments' personnel budgets by 5 percent. Departments that received this workforce cap reduction must submit a BCP to align budgeted positions with funded positions. Technical advice and instructions on how to reflect workforce cap reduction position adjustments in departmental budgets will be provided in a subsequent Budget Letter.

- **Statutory Changes Necessary for Departments to Manage Their Budgets**

Departments may submit BCPs to propose changes in current law to reduce or reorganize their statutory responsibilities so they can better manage within their authorized spending level and special fund balances. Departments should evaluate their responsibilities and propose reductions or eliminations of the least critical functions.

- **ECPs**

Departments may submit BCPs to reflect expected changes in programs' enrollment, caseload, or population. No new policy components will be accepted for ECP adjustments.

- **Existing or Ongoing Information Technology (IT) Projects**

Departments may submit BCPs related to an IT project only if the project is currently underway or has been authorized to proceed.

- **Existing or Ongoing Capital Outlay Projects**

Departments may submit BCPs to fund a future phase of an authorized capital outlay project only if the project is underway or has been authorized to proceed.

- **Cost-Cutting**

Departments may submit BCPs to cut costs, or to authorize efficiencies to offset unavoidable costs such as price increases.

Departments should assess whether statutory changes are necessary to effectuate any BCP that is submitted. If statutory changes are necessary, the Department's BCP must include a copy of the proposed legislation. This requirement is necessary for Finance to comply with its obligations under Government Code §13308 to submit proposed statutory changes to the Legislature, through the Legislative Counsel.

In submitting BCPs for the 2012-13 Budget, Departments must use the latest BCP form, which was recently revised. The new BCP form and instructions can be found on the Finance public website: <http://www.dof.ca.gov/Budgeting/Forms>

BCP Confidentiality

Information contained in BCPs is an integral part of the Governor's deliberation process. Accordingly, every BCP must be treated as privileged and confidential until and unless the BCP is released to the Legislature as part of the Governor's Budget, the April 1 Finance Letter process, or the May Revision. Disapproved, unapproved, and draft BCPs (i.e., BCPs not released to the Legislature) remain confidential indefinitely, and may not be released. Final BCPs are those that contain a Finance supervisor's signature attesting that the BCP has been submitted to the Legislature.

Questions about Public Records Act requests, or litigation discovery requests, for budget documents should be directed to department legal staff and, if necessary, by department legal staff to Finance legal staff.

If you have any questions about this Budget Letter, please contact your Finance budget analyst.

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Director